

## Albioma

Price EUR13.70

Strong year start, as expected

Fair Value EUR16 (+17%)

BUY

Bloomberg	ABIO.FP
Reuters	ABIO.PA
12-month High / Low (EUR)	19.4 / 11.9
Market Cap (EURm)	408
Ev (BG Estimates) (EURm)	1,048
Avg. 6m daily volume (000)	23.70
3y EPS CAGR	18.4%

The French biomass energy producer reported solid Q1 sales helped by a positive base effect compared with last year (strikes in Guadeloupe) and underpinned by the effect of riders to the electricity sale agreements for the Albioma Le Gol and Albioma Bois-Rouge plants signed in the first quarter of 2016 with EDF. In all total Q1 sales were up 12% YoY to EUR87.2m. Positive.

## ANALYSIS

- Main Q1 metrics:** Albioma has posted Q1 sales of **EUR87.2m**, up **12% YoY** and **17%** after excluding the negative effect from raw materials (*coal price decline*). Total electricity production for the period amounted to **887GWh**, compared with **521GWh** in Q1-15 (+70%). Total availability rose to **91.4%** compared with **88.6%** in Q1 2015. Most of this very good performance stemmed from the high availability rate at the French thermal biomass business unit, which notably benefited from a positive effect compared with last year given that the Q1 2015 operating performance was affected by staff strikes at the **Le Moule plant in Guadeloupe**. Albioma also benefited from a strong increase in the duty rate at the **Le Galion in Martinique** (30% in Q1-16 compared with 21% in Q1-15). Q1 sales in France were also boosted by the effect of riders to the electricity sale agreements for the Albioma Le Gol and Albioma Bois-Rouge plants signed in the first quarter of 2016 with EDF. These allow compensation to offset the costs generated by managing combustion by-products and processing liquid waste. All in all, total French thermal sales were up **11%** to **EUR74.1m** while solar sales were up **4%** driven mainly by a positive inflation effect given production over Q1 remained similar to last year (23GWh). As for Brazil the group managed to reduce the annual maintenance period at Rio Pardo (2 months in Q1-16 instead of 3 months last year) allowing the entity to produce power thanks to the bagasse stock built up in 2015. Thanks to this increase in production the group was able to generate **EUR1.8m** of sales vs. **EUR0.2m** last year.
- 2016 guidance confirmed:** The group confirmed its 2016 guidance and is still targeting generation of **EUR122-130m** in EBITDA and between **EUR25m and EUR30m** in net profit over the year. As a reminder, given the special performance of the group last year, H1 2016 operating performance is set to be stronger than H2 2015.
- Buy rating reiterated with FV @ EUR16:** We confirm our **Buy rating on Albioma with FV unchanged at EUR16/share**. In our view, the group is entering a massive earnings growth period thanks to its development in Brazil but also thanks to the progressive commissioning of new power production assets in French overseas departments. As a reminder our 2016-24 estimates imply a CAGR of **>5% on group's EPS**.

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.7%	6.1%	-9.5%	-8.4%
Utilities	3.4%	0.8%	-6.5%	-2.8%
DJ Stoxx 600	3.6%	2.4%	-7.6%	-5.1%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	354.0	376.0	427.3	484.4
% change		6.2%	13.6%	13.4%
EBITDA	120	127	147	176
EBIT	76.1	73.9	88.0	112.8
% change		-2.9%	19.1%	28.2%
Net income	30.2	25.9	33.6	50.1
% change		-14.2%	29.8%	48.9%

	2015	2016e	2017e	2018e
Operating margin	21.5	19.7	20.6	23.3
Net margin	8.5	6.9	7.9	10.3
ROE	7.4	6.3	8.0	11.3
ROCE	4.7	4.4	4.5	5.3
Gearing	131.6	155.5	192.2	201.7

(EUR)	2015	2016e	2017e	2018e
EPS	1.04	0.89	1.15	1.72
% change	-	-14.2%	29.8%	48.9%
P/E	13.2x	15.4x	11.9x	8.0x
FCF yield (%)	1.5%	NM	NM	NM
Dividends (EUR)	0.57	0.57	0.58	0.86
Div yield (%)	4.2%	4.2%	4.2%	6.3%
EV/Sales	2.7x	2.8x	2.8x	2.7x
EV/EBITDA	7.9x	8.3x	8.3x	7.4x
EV/EBIT	12.4x	14.2x	13.8x	11.6x

## VALUATION

- At current share price Albioma is trading at 8.3x its 2016e EBITDA and offers a 4.2% yield
- Buy, FV @ EUR16/share

## NEXT CATALYSTS

- July 26<sup>th</sup>: H1 2016 earnings

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